

HCTC Health Plan Options

Welcome

This is the first issue of the HCTC program's State Partners Newsletter. The goal of these newsletters is to pass along new information and share what the HCTC program is learning from the ongoing operation. We suggest that you add these newsletters to the 'Updates' section of your HCTC State Toolkit. Like the newsletters, the State Toolkit was created for our partners in the governors' offices, State Workforce Agencies, and Departments of Insurance. To order a copy of the State Toolkit, please call the HCTC Customer Contact Center at 1-866-628-HCTC (4282).

Since the launch of the advance payment option of the Health Coverage Tax Credit program on August 1, 2003, there have been a number of questions on the various qualified health plan options available to HCTC participants, as well as continuous coverage requirements for individuals. The focus of this first newsletter is to explain the qualified health plan options and coverage requirements.

HCTC Qualified Health Coverage Types

There are four health coverage options allowable under the HCTC legislation. The first three automatically qualify to all HCTC participants. The fourth option is only available when a state qualifies a health plan for the HCTC program:

- **Non-group (Individual) coverage:** This coverage type, purchased as non-group coverage, must have been purchased 30 days prior to the date the individual separated from the job that led to the receipt of or qualification for TAA benefits, ATAA benefits, or PGBC benefits.
- **COBRA:** This is temporary coverage that is required to be offered under the Consolidated Omnibus Budget and Reconciliation Act of 1985 by most employers with group health plans. Employees are offered the opportunity to continue coverage under their employer's plan in the case of a layoff, termination or other qualifying event.
- **Spousal Coverage:** This is coverage under a group plan that is available through the employment of an eligible individual's spouse. This coverage type, although allowable under the HCTC legislation, can be claimed at the end of the year and not in advance.
- **State-qualified health plans:** This coverage type consists of health plan products the State Departments of Insurance have qualified specifically for the HCTC program. The coverage must meet the legislative requirements for health coverage set forth in the Trade Act of 2002. As of September 30, 2003, 25 states have one or more qualified health plan options available. The current list of state qualified health plans can be found at www.irs.gov (keyword HCTC) or by calling the HCTC Customer Contact Center.



Non-group (Individual) Policy: 30-day Rule

It is important to convey information about the 30-day rule that applies to the non-group (individual) coverage option to potential candidates before they are separated from employment. In situations where the State Workforce Agency's Rapid Response team is working with a company that is expecting a layoff, this coverage option may be available to them. If the employee obtains and maintains individual health coverage, as opposed to group coverage offered by an employer, 30 days prior to separation from employment, then this coverage is automatically qualified for the HCTC program. By taking advantage of this option, individuals eliminate the risk of having a lapse in coverage and do not lose access to individual health coverage that may be appropriate for them. This is especially relevant if there are no other viable options available to them.

Highlighting this option is most beneficial when candidates are in a position to take advantage of it before separation from employment. The opportunity to choose this health coverage option is greatest when the probability of the worker group's TAA certification is high, or the worker group has already become TAA certified.

63-day Continuous Coverage/ 3-month Creditable Coverage Rule

A break in health coverage may affect the cost of an individual's health coverage premium. State-qualified health plans also have the right to impose preexisting condition exclusions on individuals who do not meet the continuous coverage criteria even though they are eligible for HCTC. For example, if an individual has not had health coverage for 63 days or more, the state-qualified health plan could choose not to cover the individual's preexisting conditions, and/or increase the premium that person pays per month.



It is important for the state partners and Rapid Response teams to inform individuals about health coverage decisions they should consider before they are separated from employment. Since eligibility for TAA begins 60 days after the petition is filed, some individuals may be at risk of incurring a break in coverage before they become HCTC eligible. In this situation, informed individuals may decide to maintain enrollment in a health plan.

What does this mean for you?

As a state partner, understanding and conveying this information to HCTC candidates is very important. The time limits that are in affect are restrictive and may be confusing for individuals. If they are supplied with all of the health plan options and rules at the beginning of the layoff process, they will be able to make informed decisions when the opportunity is presented. Since the application of preexisting conditions varies by health plan, you may want to learn how the qualified health plans in your state will apply these rules.

Frequently Asked Question

Question: My state does not have a qualified plan, and many of our eligible residents do not have access to the other options. Is there any plan open to my state's candidates?

Answer: If your state has not yet qualified a health plan for HCTC, then only the three automatically qualified plans are available to candidates (COBRA, non-group and spousal coverage). If the candidate is not able to enroll in any of the automatically qualified plans, they cannot claim the HCTC at this time. They may, however, be able to claim it in the future if your state qualifies a health plan. The candidate should check back with HCTC regularly. They can do this by calling the HCTC Customer Contact Center at 1-866-628-HCTC (4282), or visiting www.irs.gov.